Banks: Move fast and **make things happen**

Your guide to the top 3 banking challenges in 2021

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Rethink digital transformation

The pandemic has demonstrated the need for banks to be flexible and agile.

Banks' net interest margins are slim, due to near-zero interest rates in many regions. Potential nonperforming loans have generated massive rises in reserves, already leading to quarterly losses at Wells Fargo, one of the largest U.S. banks. Estimates predict a revenue drop of 16% to 44% for retail banks in Western Europe alone. Banks such as HSBC, Deutsche Bank and Lloyds Banking Group are recommencing headcount reduction programs that were started before the pandemic. Due to accelerated digital adoption by all consumers banks are looking to significantly reduce their branch networks.

Digital transformation programs will continue but they will need rethinking in light of the pandemic. Banks are now looking for short-term approaches that can deliver business outcomes quickly.

Here are three urgent challenges we're hearing from our clients:

1. To grow our business, how can we leverage AI to generate deeper customer insights and greater personalized engagement?
2. To drive down cost, how can we reduce legacy and respond more flexibly to market disruption using automation and cloud?
3. To improve productivity, how can we provide a digital workplace that is secure, offers modern collaboration tools and allows staff to do their best - wherever they're working?

Let's look at pragmatic solutions for each of these challenges.

Challenge 1:

Improve CX

How do I make AI an **enterprise-wide capability** to **speed up process**, **increase automation** and **improve CX**, all within an ethical framework?

Banks want to differentiate themselves through superior CX. AI can improve customer engagement in many areas: 360-degree customer view, pre-empting customer churn, predicting NBA, faster onboarding and greater cross-/up-selling. That's why we've developed a Banking Accelerator to help banks focus on three specific areas: customer acquisition and retention, cross- and up-selling and process simplification.

It's designed to help you set up a minimum viable product in 90 days. It provides a single customer profile with insights, depicting customer health and alerts; analytics, dashboards, key business processes, Adobe integration with lead management; and is all packaged under one platform, combining Microsoft Azure and Dynamics 365.

Typical scenarios

- Integrated chatbot with self-service portal to manage basic transactional activity
- Mobile onboarding, including KYC
- Lead prioritization engine that assigns leads based on personas, product and sales history
- Real-time client discussion and scenario simulations with relationship managers
- Works in retail, commercial, wealth and investment bank contexts

Business outcomes

- Speed time to market by 25%
- Cut costs by 20% and improve regulatory compliance
- Reduce time for creating campaigns from two months to less than one week
- Deliver targeted campaign outcomes: increase conversion rate by 15%
- Enable better CX through digital end-to-end processes

Examples of **improved CX**

1. **We built a new robo-adviser platform for a U.S. investment bank,** including client onboarding, investment strategies, portfolio rebalancing and performance monitoring. Increased performance, security and scalability, with the platform now servicing half a million accounts

2. **Reduced mortgage churn by 50% for a Dutch bank** with a 7% increase in early fraud detection and 2% annual savings on underwriting fees

3. **Improved collection strategy for a U.S. bank** using structured data models, which put priority customers most likely to pay at the top of the list; it led to a 130% increase in revenue collected (equivalent to a $4 million increase over a three-month period).

4. **Implemented an algorithm-based cash flow forecasting system for a German bank** to support its small and medium-sized customer base

5. **Our RPA/ML solution helped digitize a manual approach to regulation and speed up process for an international bank**, reducing case volumes and false positives, generating cost savings of $100 million+ annually.

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Challenge 2:

Operational Flexibility

How do I **develop operational scale and flexibility**, while **reducing my dependency** on legacy IT, lowering my **cost-income ratio** and **improving speed to market**?

Banks have been slow to adopt cloud, limiting their ability to be operationally agile and to respond quickly during the pandemic, especially in terms of customer demand. The pandemic has helped banks appreciate the need for faster response and scalability. Issues about data residency, security and regulation are now diminishing in importance as cloud providers demonstrate their expertise to regulators. Cloud is also proving critical in setting up Open Banking platforms for new digital banks.

With an accelerated migration and cloud optimization approach we help clients get to value faster. Banks can become more agile, scalable, and innovative through a range of approaches such as domain-driven design, evolutionary architecture, event-driven microservices and modern engineering.

Typical scenarios

- Deliver competitive digital CX with a scalable, high-performance technology foundation
- Use AI to detect, prevent, and mitigate fraud to reduce cost and risk
- Automate and digitize manual/paper-based processes end-to-end
- Digitally decouple from legacy and modernize using a DevOps/agile delivery approach
- Shift app dev to the cloud to reduce development, testing and time to market

Business outcomes[1]

- $13.1 million benefits over three years; ROI 478%
- Payback in under three months.
- Reduced on-premises infrastructure costs by 90%
- Increased online order volume of 83-167%
- Increased average order size by 20-27%

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[1] Forrester 2019 TEI (Total Economic Impact) study of Microsoft Azure IaaS

Examples of **operational flexibility**

1. **For a Brazilian bank we completely digitized its loan approval process** using Microsoft Azure. New risk-based pricing resulted in 25% savings for underwriting and processing. Pre-check and document handling time has been reduced from six to seven days to a few minutes. Revenue has increased by 40%, with $400 million in new loans generated.

2. **Guided CMHC by moving infrastructure to the cloud** (Microsoft Azure), adopting Office 365 and Skype and building out their CRM and ERP systems with Dynamics 365.

3. **For Towergate, we embarked on one of the most comprehensive and ambitious cloud migration programmes** the financial services industry had ever seen. This transformation took just 12 months and achieved approximately 30% annual cost savings.

4. **Helped Antares Capital build a cloud-based digital workplace** to drive faster innovation, improve productivity and boost employee satisfaction using Office 365 and Microsoft Azure.

5. **We set up a mobile-first, cloud-native digital bank on an open banking platform** where customers can open a bank account in eight minutes; two months post-launch, the bank had €300 million deposits and 14,000 customers.

Challenge 3:

Productive People

What people and IT investments will give the **greatest ROI** in terms of **secure remote productivity**, **cost reduction** and **employee well-being**, while remaining compliant with regulation?

Workplace collaboration, productivity and security have taken on a completely new form since the pandemic began. Remote and hybrid working require new management skills and measurement. Employees want to be able to work flexibly, safely and effectively in an environment which protects their wellbeing and maximizes their potential. As part of reshaping how work gets done, we see a more holistic approach – embracing technology, operations, culture and employee experience – being more important than ever. We call this Workplace Experience (WX) and those firms that had superior WX outperformed their peers during the pandemic by over 110%[2].

By embracing WX, you can create key workplace insights to protect employee wellbeing and productivity, rethink employee experience for remote/hybrid working, and secure the newly expanded world of work without inhibiting productivity.

Typical scenarios

- Establish secure remote/hybrid workplace environments and drive best practice
- Using ML, cognitive services and NLP to derive cost-effective customer insight and NBA
- Leverage chatbots to simplify everyday tasks and workflows while reducing operational costs
- Implement Microsoft 365 security and threat assessment
- Develop and deliver innovative native mobile apps for employee productivity improvement

Business outcomes[3]

- Double customer satisfaction
- Twice the innovation in terms of percentage of revenues from new products and services
- 25% greater profitability compared to competitors

[2] Avanade research, 2020
[3] "Building business value with employee experience," MIT Sloan CISR, June 2017

Examples of **productivity**

1. **For a UK bank we delivered a 360-degree transformation to Microsoft collaboration technology**, including cloud migration, resulting in a 30% annual cost saving.

2. **Increased sales by 100%** at Sparebank through improved campaign management

3. Raiffeisen Bank International **used migration to Office 365 as a change management initiative**, enabling global collaboration, including external partners and clients, with the goal of over 50,000 contacts in 15 countries upon project completion.

4. Allied Irish Bank **adopted Office 365 in the cloud to develop a new employee proposition** around flexible staff working, which reduced contact center costs and improved sales productivity.

5. **We created an internal social networking platform for a major European bank** to drive innovation across 100,000 employees.

These are some of the ways in which we can support banks wishing to resolve urgent challenges quickly. **Let's see how we can get started.**

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Achieve your **business outcomes quickly**

We've designed the first step to resolve your challenge. We have the experience and expertise to help deliver your business outcome with the velocity your business expects.

Challenge	Options
Improve CX	**AI Discovery Workshop** • Data-driven assessment: initial assessment of the business problem based on internal and external data • Rapid solution testing: identify solution and test hypotheses with data and real-time experimentation leveraging machine learning algorithms, pre-packaged applications and analytical tools to accelerate results • ROI and tech roadmap: deliver a quantified return on investment, accelerated timeline to value, technical roadmap, defined technical and business metrics for tracking and increased transparency. **3-6 weeks, $50K**
Operational flexibility	**Azure Foundation Assessment** • Conduct a rapid assessment of your applications and data infrastructure • Use Azure readiness analysis to identify those areas where you can quickly migrate to the cloud and those that need more work • Develop a client roadmap specifically for your cloud journey, providing quick wins and longer-term priorities • Apply our TCO comparison tool to identify potential cost savings you will make in moving to the cloud. **3-4 weeks, $30K**
Productive people	**Workplace Analytics Rapid Assessment** • Conduct personal, private and corporate productivity analysis with actionable insights across four diagnostic areas. Extract data from Teams, Outlook, SharePoint, Excel etc. into Power BI dashboards. • Hold an opportunity workshop to identify and prioritize deep dives and quick wins: • Find out how productive your remote workforce is and ways to improve it • Identify which employee groups are at risk of burnout, due to high interruption rates and consistent out-of-hours messages/workload. • Discover which teams need to work at the office and which can work remotely, thereby driving property portfolio rationalization. **4-6 weeks, $50-75K**

Our **expertise**

We work with seven of the top 10 global banks. We have access to the most advanced Microsoft technology platforms and Accenture's global banking and regulatory expertise.

We're recognized as global leaders in Microsoft services. We're finding that our clients want to move quickly and deliver short, outcome-based projects. Visit www.avanade.com/banking for more details.

Automation and AI

We're helping banks digitize processes. We apply intelligent automation and AI to deliver efficiency and deep customer insight. We can help with data management, chatbot development and conversational AI.

Cloud and IT transformation

We deliver cloud services on Azure, trusted by 80% of the world's largest banks. We speed up application development using an agile approach, reduce legacy dependency and help you scale flexibly to meet rising market demand.

Security

Working with national, regional and multinational banks we have developed expertise across a variety of areas, including digital identity and authentication, data protection, encryption, secure collaboration, incident response and cyberdefense.

Digital marketing, sales and service

We've created 360-degree customer views, improved cross-selling rates and identified NBA. We've improved lead scoring and qualification, opportunity tracking, campaign planning and automation, personalization and onboarding.

Workplace transformation

We adopt a holistic approach, involving IT, HR and business division heads, that we call WX (Workplace Experience), specifically for banks. If you need it, we've also pulled together best practice on remote working.

Contact us today

We can help make your operations more resilient and your products and services more desirable to customers.

We combine business strategy, agile innovation, and deep Microsoft technology expertise to help resolve your urgent challenges.

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About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences on the Microsoft ecosystem. With 39,000 professionals in 25 countries, we are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at www.avanade.com.

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